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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

COUNTRY Yugoslavia

SUBJECT Situation and Trends in Yugoslavia

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1. A former big landowner from Yugoslavia, experienced in the political and diplomatic fields, who since the end of the war has been living abroad, went on a motor trip to Yugoslavia. [redacted] He is [redacted] and truthful. [redacted] experienced, unbiased, went by car to Maribor, Ljubljana, Varazdin, Zagreb, Carlowatz /sic, [redacted] and along the Dalmatian coast to Split. He returned by boat to Zadar, then went by car to Trieste and back home. He related [redacted] the following facts concerning Yugoslavia.

2. He was astonished to get his visa at the Yugoslav consulate within a few hours, without having been questioned at all. After nine years of absence, he found the formerly prosperous Slovene cities of Maribor and Ljubljana in apparent decay, the laborers in great misery, the roads in an awful state, so that often he only could advance 10 miles and hour. The only roads in good shape are the Zagreb-Belgrade and Fiume-Trieste roads. In the northern part of Croatia, he found the situation very different; the peasants were prosperous; the villages with many new houses, stables, etc.; plenty of cattle, horses, pigs. [redacted] the villages had made considerable economic progress.

3. [redacted]
[redacted]
(food and wine). The peasants talked freely [redacted] without fear of the police. The church was well kept; so was the old schoolhouse. [redacted]
[redacted] religious teaching was forbidden in school, but was given in church

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25X1A

-2-

without any difficulty. [redacted] witnessed poverty among the laborers and prosperity among the peasants, who evidently had made much money on the black market in the recent years of famine. In Zagreb, [redacted] many houses in town were now peasant property. These houses had not been expropriated, but were so heavily taxed that the owners, making no income, sold them to the peasants during the famine, sometimes for food.

[redacted] The civil servants now get their pensions (unless they have been recalled to service, which frequently is the case); the same applies to industrial employees, engineers, etc. Many from among the latter are now again employed, replacing the former incompetent Communists. Industry has been kept nationalized, but small trade is again permitted and artisans carry on their work. Several former landowners have recently been given back a part of their country houses, usually only several rooms in their former homes with small parts of their garden or land or vineyards. After years of famine and all kinds of suffering, these people have become very modest and now feel rather satisfied. Nobody owns a private car, and agriculture is not mechanized.

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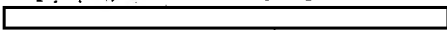
5. Hate of the Serbs among the Croats has diminished considerably. The provinces in Yugoslavia now have autonomous administrations, and they run their own affairs without any interference by the Serbs. This is very distinctly a change for the better, if compared with pre-World War II conditions.
6. [redacted] to determine the value of the Yugoslav Army. He observed one of their maneuvers and concluded that the army is in a pitiful condition, with the exception of the motorized units which look fine. [redacted] the rest of Tito's army may perhaps be effective in partisan fighting, but is inadequate for modern regular warfare. On the other hand, the fleet seems to be in good shape, probably because the old time naval officers have been kept in service all the time, and they continue to run the small Yugoslav Navy quite well.
7. Informer could ascertain that in the strongly Catholic provinces of Dalmatia, a great number of priests and nuns have survived the purge. The Church buildings have been kept up fairly well, and most of the destroyed churches have been rebuilt, with the exception of churches in the area between Knin and Carlowatz where during the heavy partisan fights, the churches had been burned down, and the priests killed. Here the churches have not been rebuilt, and no priests are to be found either. In Zagreb, [redacted] they do not wish to stir up the case of Cardinal Stepinac, Archbishop of Zagreb, but they assured [redacted] that Stepinac is being decently treated in his village. [redacted] should Stepinac return to Zagreb, new disturbances could be expected, which they wished to avoid.
8. [redacted] found in Yugoslavia much less interest for Trieste than [redacted] expected. In fact, the man in the street doesn't care about Trieste at all, since that


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-3-

port was competing with Fiume and other Yugoslav ports which the people consider as of greater importance to themselves. 

 due to the feeling mentioned, the Trieste problem could be settled if the Italian Government could be induced to pay a sum for it sufficient to properly equip the Fiume harbor. The people do not want trouble (neither political or economic) of which they have had enough. They would be happy to see the Trieste problem peacefully settled, particularly if the financial situation of the government could thereby be eased, since there is a serious apprehension among the Yugoslavs that their welfare state might go bankrupt. The people's evaluation of the Yugoslav regime is in general quite realistic; they are aware of the fact that Socialism is a costly experience and can only be maintained with foreign aid.

9.  two weak points in the present Yugoslav situation;

- a. There is a justified dissatisfaction among the industrial laborers with the regime which might become dangerous, particularly if Muscovite Communists would succeed in organizing and exploiting it.
- b. In case of war, particularly with Russia, the Yugoslav Army would not live up to expectations and would probably disintegrate for both these reasons; Tito will have to do everything to avoid a conflict with the Soviets.

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